



MOTIVATION: EXTRINSIC & INTRINSIC AND HOW IT AFFECTS THE WORKPLACE, EMPLOYEE OUTCOMES, AND ORGANIZATIONAL SUCCESSES

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ABSTRACT

This piece of research on Extrinsic and Intrinsic Motivation & its effect on the workplace, employee outcomes, and organization successes delves into various models and theories such as the Job Characteristics Model, Self-Determination Theory, and Expectancy theory. The paper also talks about job design methods, displays research on companies such as McKinsey, and discusses relevant formulas and calculations. In essence, multiple strategies are suggested for the improvement of workplace motivation and are primarily targeted at improving organizational success through various means. In order to appeal to the greater audience, various examples from a real-life point of view have also been given to better understand each time of motivation. The paper also touches upon Desire & Expectancy Utility and a literature review adding to the volume of background information provided. Towards the end, the subject is connected to Behavioural Economics in order to provide a connection between why studying motivation is a rationale measure to ensuring efficient finances within firms.

KEYWORDS: Behavioural and Social Sciences, Sociology and Social Psychology, Motivation, Organisation, Extrinsic, Intrinsic.

INTRODUCTION

Motivation in the workplace is defined as anything that propels individuals towards acting for a desired goal while energizing employees to bring commitment and enthusiasm to the table. This word has now become a very important part of multiple industries, day-to-day life, and everything in between. In the world of economics- A simple transaction has a lot of economic reasons and motivations for its activity. Understanding the importance of motivation in the workplace is essential for progress enhancement, and incentives serve as a way of motivating employees. They are a fundamental driver in assessing the economic and social status of a company.

Studying the role of motivation in the workplace is significant because it is a driving factor for how productivity and effectiveness function in a particular company. Porter and Lawler (1968) proposed the model of intrinsic and Extrinsic Motivation. They also advocated structuring the workplace environment to enable effective performance to lead to extrinsic and intrinsic rewards. A famous myth, "People primarily work for money" was further de-stigmatized by explaining that people work to be in a challenging, enthusiastic, and enjoyable environment where they're able to build on and use their skills (Jeffery Pfeffer, 2008). The significance of studying motivation is heightened when considering why these myths exist, and how economists tend to focus more on the financial motivating factors and pay less importance to the important behavioral motivation factors. The concept of "Need Strength" is viewed as an individual difference variable resulting from personal experiences and helps predict behavior. It helped assess individual desires, and work they put in to attain the same. Studying this concept on the line of motivation would help us understand how they believed motivation for certain behaviors would lead to the desired outcome (Deci & Ryan, 1985). This essay will explore the differences between Intrinsic and Extrinsic Motivation in the workplace and discuss the relevance of the Job Characteristics Model, Self-Determination Theory, and Expectancy theory. Furthermore, the essay will also discuss

job design practices by studying motivation theories, empirical evidence, and organizational outcomes.

The importance of motivation in the workplace and the context of management briefly revolves around the improvement of performance levels, employee attitude change, reduction in resistance to change, and improved cooperation and coordination. Improvement in performance levels refers to performing better due to the motivation and willingness to work by obtaining relevant education and training for the same. The change of indifferent attitudes is slightly more fluid when having acquired higher levels of motivation since there is a more open mindset, and the willingness to work harder, spend more time solving complaints, and address issues in the team and individual situations. (Singh & Tiwari, 2011). Again, it could be assumed that such employees would pay more heed to HR policies, and other such positive workplace etiquette. It can be assumed that a highly motivated worker would also share their experiences and be enthusiastic in the workplace, benefitting colleagues as well, creating a chain reaction.

In the following sections, this important relevance will be studied and will give us an insight into how Intrinsic and Extrinsic Motivation play an important role in the workplace. Discussion of challenges, real-world examples, and their impact on employee outcomes and organizational success will also be prevalent throughout the essay.

Intrinsic Motivation (Satisfaction, Performance, Behaviour, Variety, Autonomy, Feedback)

Intrinsic Motivation is defined as the act of performing a task without expecting any external feedback (rewards). It is done for the sake of sheer enjoyment and for the task itself (Deci & Ryan 1985). Intrinsic Motivation is imperative to be studied in the workplace context as its enhancement can benefit the firm greatly. Organizations can implement various strategies and enhance the intrinsic motivation of employees in the firm.

Literature Review

Prendergast (2008) delves into how both economic incentives and non-monetary factors affect employee motivation levels in the workplace. In intrinsic motivation, apart from financial incentives being primary drivers for motivation, many non-quantifiable factors include social, cultural, and psychological factors such as employee connections also play a role.

Desire & Identity Utility

As discussed before, Intrinsic motivation arises from an internal desire, and this desire is related to the concept of "Identity Utility" (Prendergast, 2008). It delves into a concept where individuals procure motivation by aligning their behavioral actions with what they perceive to be their self-identity. However, this challenges classical economics theories and models such as the "Rational Choice Theory" where the individual is assumed to respond to sole extrinsic incentives such as monetary rewards.

It is argued that identity utility is also a significant driver for intrinsic motivation. Furthermore, job design and organizational cultures such as elements of autonomy and purpose foster high levels of intrinsic motivation. Identity utility is also enhanced through positive environments and a progressive culture in the workplace, leading employees to have an increased commitment to their work facilitated by higher motivation (Waterman, 1990).

Conditioning & Incentives

Intrinsic motivation varies greatly since it is solely dependent on the individual, and a workplace that can recognize these differences plays an integral and positive role in enhancing the impact of their motivation in their work efforts. To do this, firms often make positive reinforcements such as financial rewards, cultural celebrations, and more. In operant conditioning which is also known as instrumental conditioning- learning is done through the use of rewards and punishments to either reinforce or reinforce behavior. So, if a behavior is rewarded, it is more likely to be repeated whilst in a behavior that is punished, it will rarely occur again. In the workplace, these positive reinforcements are either given by personal fulfillment or firm-handed rewards.

Prendergast (2008) also argues that the theory of intrinsic motivation is only effective when the firm executing related strategies has complete control over it. Firms have the power to hire employees based on different intrinsic preferences. If a hypothetical company has 3 different sections of work, it would require three different employees/agents to execute the same. If the three sections have specialized tasks, then the firm would create models to ensure that the performance of these agents is being rewarded equally and justly. It is imperative to understand that Intrinsic motivation is fueled by self-motivation and rewarded in the future, while extrinsic motivation functions differently.

Intrinsic Motivation In The Real World

In real life, this is also translated into a group project setting. Speaking from personal experience, a group consists of different types of students- One that is intrinsically motivated, one that is extrinsically motivated, one that relatively isn't motivated, etc. The students who are intrinsically motivated are seen as a leader in this situation as they take charge of the project due to self-fulfillment. This project is completely fueled by the student's interest in the task. However, the line between their intrinsic and extrinsic motivational factors is thin because it depends on whether the grade weightage of the task is mentioned or not. This same example will be used to explain extrinsic motivation in further explanations.

Job Characteristics Model

The Job Characteristic is a framework that connects intrinsic motivation and job design. The model assumes that certain characteristics within the job description influence the employee's intrinsic motivation and job satisfaction in the workplace. Aspects of this model include Skill variety, Task Tangibility & significance, Autonomy (referring to the amount of independence an employee has on their task), the quality of feedback they receive, and more (Hackman and Oldham, 1970).

Intrinsic Motivation is heavily influenced by this model through the means of psychological state change. An individual is more likely to commit to a task when they find meaning and understand the significance of completing the success. Furthermore, concerning autonomy, ownership increases the attachment to the task, enhancing responsibility.

Workplaces can help increase an employee's intrinsic motivation by implementing policies of independent employee organizations. This could mean assigning a flexible deadline range of smaller tasks within the final task and allowing employees to assign their independent deadlines. Furthermore, engaging in even minor aspects of innovation and creativity allows the employee to feel as if their skills of critical thinking and creative thinking are being utilized. When tasks require such skills, the employee doesn't feel like they can be replaced easily, since 100% of the same solution would not be ideated (Lawler & Porter, 1967).

Research summarizes the positive correlation between the Job Characteristics Model and Job Satisfaction. Voydanoff (2004) was able to confirm this link by revealing a consistent pattern of relationships. Furthermore, Hackman and Oldham (1970) provided research insights on different job characteristics elements such as Identity, Autonomy, and feedback, and how they aid in higher job performance and motivation.

The same research suggests the need for all these elements to be present while attempting to curate high job satisfaction. It is recommended that companies utilize skill variety and task identity while assigning work to employees as it would contribute to each employee's overall job satisfaction.

An example of this assignment could be generalized to an HR employee. While assigning a job role to an HR generalist it's important to consider the high-skill variety and ensure that this variety such as employee relations, management, compensation, etc. is highlighted in their relative job descriptions. In terms of task identity, HR generalisers would not have a defined end goal which the firm would have to work on to overcome burnout due to this factor. This could be in terms of assigning shorter tangible deadlines, and more flexibility.

In terms of task significance, an HR generalist would help make a company run much more efficiently, as they provide insight into various departments and work towards improving overall employee satisfaction, hence this is another attractive factor for the job role. In terms of Autonomy, many HR generalists run smaller departments, however, a firm would have to prioritize the HR team to prevent any underscoring and ensure that there are titles and management opportunities. Finally, for the element of feedback, an HR generalist sees a lot of failures and there is a lot of qualitative work to be done since it deals with different people, there are multiple perceptions of the same, making it difficult. Hence, operationalizing this feedback system is another efficient strategy.

Importance of Enhancing Intrinsic Motivation For Firm Performance

Research by Cho & Perry (2012), tested the influence of intrinsic motivation on employee attitudes while exploring three different conditioning effects: Managerial Trustworthiness, goal-directedness, and Extrinsic Reward Expectancy. The analysis of the study demonstrated that Intrinsic motivation was associated with employee job satisfaction and turnover intention (referring to the estimated probability of leaving a current organization in the near future due to various factors). The key result revealed that managerial trustworthiness and goal-directedness increased the leverage of intrinsic motivation while extrinsic rewards decreased the leverage.

Edirisooriya (2014) provided a conceptual framework to understand the impact of rewards on employee performance. Based on (Dharmasiri & Wickramasingh, 2006) and (Pretheepkanth, 2011) the new model reveals that intrinsic rewards such as Recognition, Responsibility, Career advancement, and Learning opportunities have various indicators such as employee attitude regarding appraising performances, knowledge of career advancement opportunities, responsibility and support from the organization. Depending on the level of each of these indicators, firms can fine-tune their strategies to prioritize the enhancement of employee motivation intrinsically.

The same research provided insights into the impact of these variables based on the company 'ElectriCo' in 2014. Although the statistics were relatively lower than extrinsic motivation rewards, the mean and standard deviation data were received for the following intrinsic reward variables: Recognition (2.946, 0.851), Career Advancement (3.286, 1.241), Responsibility (3.235, 0.645), and Learning Opportunity (2.909, 1.337). To understand the strength of this linear relationship better, a Pearson correlation test was conducted on the extrinsic and intrinsic rewards and the difference was only 0.069, revealing that if executed efficiently- intrinsic rewards can provide similar performance results.

Further supporting the importance of considering intrinsic motivation in the workplace, McKinsey (2012) revealed that intrinsically motivated employees show 46% higher levels of job satisfaction and 32% greater levels of dedication and commitment to their jobs. Research also shows that these employees were less likely to experience corporate burnout and have higher retention rates with their employers over extended periods.

Self Determination Theory

The Self-Determination Theory is a framework that helps differentiate autonomous motivation and controlled motivation. The former is actions made by choice while the latter is actions taken under obligation. This theory suggests that behaviors can be segregated and categorized based on autonomy and control. Intrinsic motivation is the highest level of autonomous motivation. In other words, individuals engage in activities solely out of personal interest and passion (Gagne & Deci, 2003).

The SDT contains Internalisation, a concept referring to the transformation of external regulations to internal regulations. This is further divided into 1) Introjection, 2) Identification, and 3) Integration. Interjection refers to internalizing regulations without completely accepting them. An example of this is working to boost self-esteem, where the form is relatively

controlled and slightly pressured. Identification grants value to behaviors that align with individual goals and values, and hence contain a lot more freedom. Lastly, Integration represents complete internalization. Here individuals perceive their behavior to be an important element of their identity. This framework provides insights for understanding workplace motivation and the effect of external regulations being internalized to varying degrees.

Vroom's Expectancy theory and the self-determination theory can be used to enhance intrinsic motivation among employees in the workplace, positively impacting the organization. Examples of this could be letting employees set self goals and letting them take ownership. Next meaningful work and skill development opportunities such as free courses also allow employees to chart a clear and ambitious career progression journey. Since it has to do with intrinsic motivation, rewards must be non-financial; celebrations, recognition, and praise. Finally encouraging collaboration and connections helps enhance the networking between employees and firms as well. Apart from these strategies, more can be created along the lines of feedback and communication to ensure efficient motivation nudges(Lloyd, Mertens). Since SDT focuses on autonomy, workplaces can use this to an advantage to facilitate engagement. Employees are more likely to experience intrinsic motivation, which results in improved performance and job satisfaction when they feel independent, competent, and engaged in their work.

Extrinsic Motivation (satisfaction, Performance, Behaviour, Variety, Autonomy, Feedback)

Another form of motivation is Extrinsic Motivation. It refers to behavior driven by external rewards. In terms of the workplace environment- an employee could be motivated extrinsically to excel in their tasks in order to receive a financial reward or a promotion (Hearn, 2018). The research further emphasizes that many employees expect financial performance-based rewards annually and that these appraisals are essential for motivation, maintenance, and commitment to work.

Hearn 2018's research on the concept of extrinsic motivation also delves into the relationship between 'instructional design' and workplace motivation. In layman's terms it would refer to the importance of training and its base for motivating employees. Although many employees may start off their tasks with self-efficacy, as their performance improves they are more likely to both expect and receive extrinsic rewards to prolong their successful work. The paper also highlights that managerial decisions enable extrinsic motivators- aligning business plans with customer-centric approaches. Here, financial incentives continue to play the role of motivators and we can understand their impact on individual employees through quantitative and qualitative assessments.

Problems that arise with extrinsic motivation are the pressure of excessive reliance on financial rewards and when unattained leads to decreased motivation and performance. Furthermore, in addition to applying extrinsic motivation in workplaces, the paper also discusses effective training program methods that involve online and offline learning with the main objective being to drive a continuous loop of success for the company through motivated employees and efficient task completion.

Vroom's Expectancy Theory:

Vroom's expectancy theory does not provide concrete reasons for organizational members' motivation. The theory talks about different cognitive variables that value individual differences in motivation attainment. The expectancy theory has a few

implications such as identifying different strategies to motivate employees; Effort to performance expectancy, performance to reward expectancy, and reward valances. The Vroom's expectancy theory formula $> \text{motivation} = \text{instrumentality} * \text{expectancy} * \text{valence}$ to increase its usefulness in managerial decision-making, a new social variable is added.

This abstract concludes by outlining a research project that tries to assess the applicability and relevance of Vroom's expectancy theory in today's dynamic and culturally varied workplaces. The study emphasizes the significance of valuing the social context as a key aspect in fostering employee motivation across various industries, eventually aiming to improve managerial decision-making in this area.

In contrast, extrinsic motivation is driven by external factors, such as rewards or approval. SDT posits a continuum of extrinsic motivation, with external regulation being the most controlled form. External regulation relies on external contingencies to initiate and sustain behavior (e.g., working only when the boss is watching).

SDT posits that integrated regulation is the most autonomous form of extrinsic motivation, closely resembling intrinsic motivation. However, it remains extrinsic motivation because it is instrumental in achieving personal goals.

In terms of Behavioural Economics; Extrinsic Motivation plays a role in allowing leads of an organization to strategize how they would use respective rewards (bonuses, promotions, etc) as a nudge to achieve the goal of "hitting two birds with one stone". Being able to use the nudge theory and architect a way to nudge employees to choose a certain choice creates a sustainable, long-term foundation for success within the company.

Using the same example - In real life, this is also translated into a group project setting. The students who are extrinsically motivated are seen as hard workers in this situation as they take charge of their projects for a justified reason. The outcome of this work would influence the grade they attain, which is what most students work for. So, here the motivation factor would've been the grades and the tangible economic fulfillment the students look to achieve.

For years, economics have ignored some aspects of individual behaviour on focused on financial aspects of motivation. However, through this essay we understand that there are several different factors, theories, and tools that play into enhancing motivation- as a firm, we are able to work efficiently, and appeal to the behavioral aspect of employees. As discussed through the different factors of Intrinsic Motivation, Job Characteristics Model, Incentives, and conditioning, we have explored how passion, interest, and grit play a huge role in determining the individual's success and the collective progress of the company.

Whereas, through the Extrinsic Motivation sector, although only briefly explored, we are able to grasp how financial factors, a long-standing, conventional reward method, are still effective for motivation enhancement. Motivation is integral for day-day success, and it is essential that every individual who strives to progress in their life makes it essential to build.

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